

BLANDING CITY
FINANCIAL STATEMENTS
JUNE 30, 2005

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Blanding City
Blanding, Utah 84511

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Blanding City as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Blanding City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

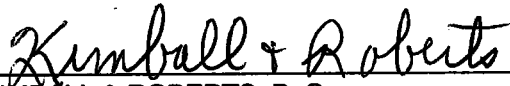
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Blanding City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2005, on our consideration of Blanding City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 18 and 52 through 54 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and City Council
Blanding City

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Blanding City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of Blanding City. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 4, 2005
Richfield, Utah

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2005

This discussion of Blanding City's financial performance provided an overview of the City's financial activities for the year ending June 30, 2005. This report is in conjunction with the City's financial statements.

The purpose of the City is to provide general services to its residents which includes general government, public safety, highways and public improvements, parks and recreation, and airport.

Financial Highlights

- * The assets of Blanding City exceeded its liabilities as of the close of the most recent year by \$25,256,552 (net assets). Of this amount, \$2,429,691 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$2,045,266. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the general fund.
- * At the close of the current year, the City's governmental fund reported ending fund balance of \$1,598,531, an increase of \$153,007 in comparison with the prior year. Approximately 28 percent of this total amount, \$448,531, is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$448,531 or 18 percent of total general fund expenditures.
- * Blanding City's total debt decreased by \$299,957 during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Blanding City's basic financial statements. Blanding City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Blanding City's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of Blanding City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Blanding City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Both of the government-wide financial statements distinguish functions of Blanding City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Blanding City include general government, public safety, highways and public improvements, parks and recreation, and airport. The business-type activities of Blanding City are water, sewer, electric, natural gas and solid waste operations and the EDA arts and conference center.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Blanding City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Blanding City can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Blanding City maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is always considered to be a major fund.

Blanding City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Proprietary Funds

Blanding City maintains five types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. A combining statement for these five funds is shown elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, electric, natural gas, solid waste and which are all considered to be a major funds of Blanding City and one nonmajor fund the EDA arts and conference center.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Blanding City.

The combining statement referred to earlier in connection with the four major and one nonmajor enterprise funds is presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Blanding City, assets exceeded liabilities by \$25,256,552 at the close of the most recent fiscal year. By far the largest portion of Blanding City's net assets (85 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Blanding City's Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	2,001,715	1,590,701	2,633,362	2,481,566	4,635,077	4,072,267
Capital Assets	8,093,922	7,127,352	19,047,084	18,466,717	27,141,006	25,594,069
Total Assets	10,095,637	8,718,053	21,680,446	20,948,283	31,776,083	29,666,336
Long-Term Liabilities	-	-	5,521,822	6,070,084	5,521,822	6,070,084
Other Liabilities	475,489	213,937	522,220	171,029	997,709	384,966
Total Liabilities	475,489	213,937	6,044,042	6,241,113	6,519,531	6,455,050
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	8,093,922	7,127,352	13,250,071	12,366,946	21,343,993	19,494,298
Restricted	1,150,000	1,125,000	332,868	346,314	1,482,868	1,471,314
Unrestricted	376,226	251,764	2,053,465	1,993,910	2,429,691	2,245,674
Total Net Assets	9,620,148	8,504,116	15,636,404	14,707,170	25,256,552	23,211,286

A portion of Blanding City's net assets (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,429,691) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, Blanding City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Governmental Activities

Governmental activities increased Blanding City's net assets by \$1,116,032.

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Blanding City's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	460,892	445,312	3,570,285	3,421,886	4,031,177	3,867,198
Operating Grants	119,794	178,820	-	-	119,794	178,820
Capital Grants	1,331,751	892,187	787,066	1,219,686	2,118,817	2,111,873
General Revenues:						
Property Taxes	227,067	239,224	-	-	227,067	239,224
Other Taxes	419,881	417,443	-	-	419,881	417,443
Unrestricted Investment Earnings	54,498	30,972	31,511	24,092	86,009	55,064
Total Revenues	2,613,883	2,203,958	4,388,862	4,665,664	7,002,745	6,869,622
Expenses:						
General Government	288,002	289,040	-	-	288,002	289,040
Public Safety	664,339	588,220	-	-	664,339	588,220
Highways and Public Improvements	221,257	328,139	-	-	221,257	328,139
Parks and Recreation	200,347	221,881	-	-	200,347	221,881
Airport	123,906	179,958	-	-	123,906	179,958
Water	-	-	515,836	532,923	515,836	532,923
Sewer	-	-	252,019	193,334	252,019	193,334
Electric	-	-	1,672,742	1,669,201	1,672,742	1,669,201
Natural Gas	-	-	892,201	815,199	892,201	815,199
Solid Waste	-	-	126,830	100,017	126,830	100,017
Total Expenses	1,497,851	1,607,238	3,459,628	3,310,674	4,957,479	4,917,912
Increase in Net Assets Before Transfers	1,116,032	596,720	929,234	1,354,990	2,045,266	1,951,710
Transfers	-	-	-	-	-	-
Increase in Net Assets	1,116,032	596,720	929,234	1,354,990	2,045,266	1,951,710
Net Assets - Beginning	8,504,116	7,907,396	14,707,170	13,352,180	23,211,286	21,259,576
Net Assets - Ending	9,620,148	8,504,116	15,636,404	14,707,170	25,256,552	23,211,286

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

- * The City received capital grants from the State, Federal and local governments of \$2,118,817 to assist in the purchase of equipment and construction costs for projects for airports, parks, roads, and infrastructure.
- * The City also acquired property for future construction.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities increased Blanding City's net assets by \$929,234 accounting for 45 percent of the total increase in the government's net assets. Key elements of this increase are as follows:

- * The total increase in the business-type activities can be attributed to capital grants of \$787,066 which was used to construct the Blue Mountain Tunnel and sewer and electric improvements.
- * Operating income was \$342,168.
- * The depreciation in the enterprise funds increased by \$9,509 from the prior year.

Financial Analysis of the Government's Funds

As noted earlier, Blanding City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Blanding City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, Blanding City's governmental fund reported an ending fund balance of \$1,598,531, an increase of \$153,007 in comparison with the prior year. Approximately 28 percent of this amount, (\$448,531) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to highways and public improvements for \$1,150,000. The only governmental fund is the general fund, which is the chief operating fund of Blanding City.

Proprietary Funds

Blanding City's proprietary funds provides the same type of information found in the government-wide financial statements but in more detail.

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Proprietary Funds -Continued.

Unrestricted net assets of the water, sewer, electric, natural gas, solid waste and EDA at the end of the year were \$2,053,465. Other factors concerning the finances of these funds has already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

There were no differences between the original and final budget for the General Fund. Budgeted amounts of \$2,854,586 are as follows:

- * \$374,059 in general government.
- * \$652,643 in public safety.
- * \$624,173 in highways and public improvements.
- * \$551,291 in parks and recreation.
- * \$652,420 in airport.

No amounts were funded out of prior year unreserved fund balance. During the year, however, actual revenues were less than budgeted revenues by \$240,703 and actual expenditures were less than budgeted expenditures by \$393,710 resulting in a net increase in fund balance of \$153,007. The difference in projected revenues and expenses is largely due to the timing difference in projects being completed, including grant money being received and the actual expenditures for the projects.

Capital Asset and Debt Administration

Capital Assets

Blanding City's investment in capital assets for its governmental activities as of June 30, 2005, was \$8,093,922 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, highways, sidewalks, curb and gutter.

The total increase in Blanding City's investment in capital assets for the current year was \$1,327,462. Major capital asset events during the current year included the following:

- * Road infrastructure - \$208,500.
- * Park improvements - \$384,030.
- * Equipment - \$165,600.
- * Airport improvements - \$509,332.
- * Land - \$60,000.

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Capital Assets (Continued)

	Blanding City's Capital Assets (net of depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	806,779	746,779	536,049	536,049	1,342,828	1,282,828
Water Rights			1,657,305	1,657,305	1,657,305	1,657,305
Infrastructure	2,665,274	2,562,250	-	-	2,665,274	2,562,250
Buildings	323,072	341,167	1,479,470	154,237	1,802,542	495,404
Improvements Other than Buildings	3,914,326	3,160,153	15,149,242	11,922,469	19,063,568	15,082,622
Vehicles & Equipment	384,471	317,003	225,018	123,324	609,489	440,327
Construction in Progress	-	-	-	4,073,333	-	4,073,333
Total	8,093,922	7,127,352	19,047,084	18,466,717	27,141,006	25,594,069

Additional information on Blanding City's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, Blanding City had total bonded debt outstanding of \$5,667,271. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds) and general obligation bonds.

	Blanding City's Long-Term Debt					
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue Bonds	-	-	4,623,271	4,842,084	4,623,271	4,842,084
General Obligation Bonds	-	-	1,044,000	1,120,000	1,044,000	1,120,000
	-	-	5,667,271	5,962,084	5,667,271	5,962,084

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total fair market value of taxable property in the City. The maximum general obligation debt allowed is approximately \$5,100,000. The present general obligation debt outstanding is \$1,044,000.

Additional information on Blanding City's long-term debt can be found in the notes of the financial statements.

BLANDING CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

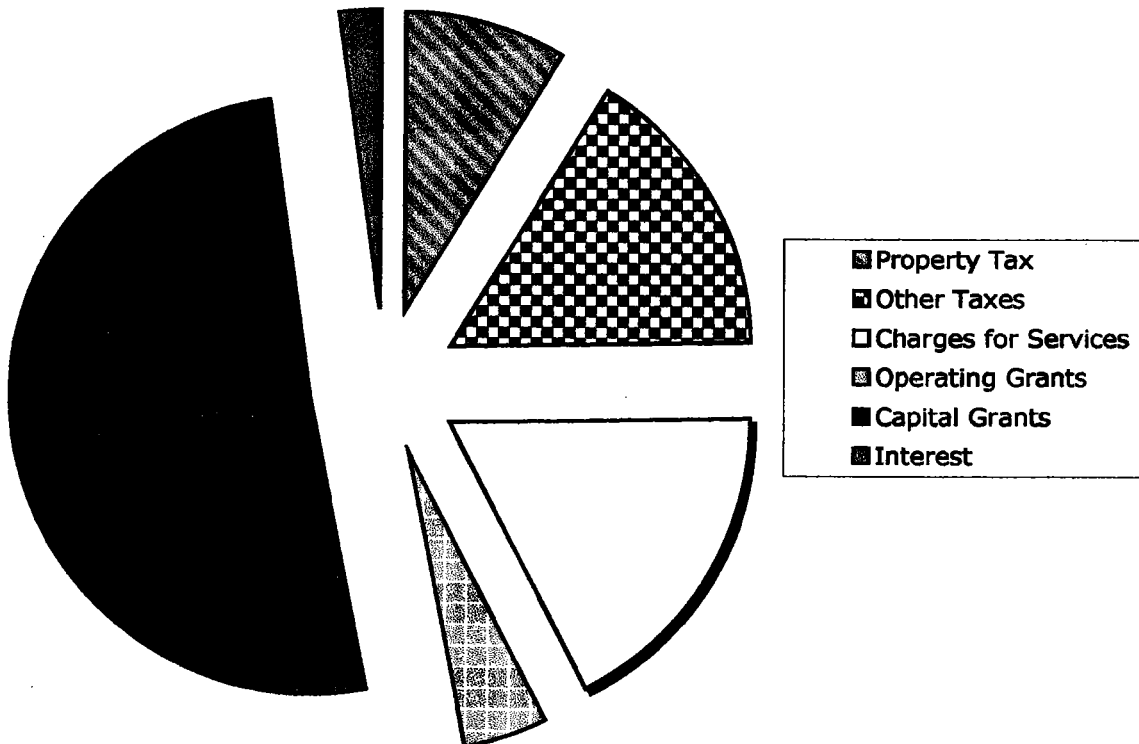
Request for Information

This financial report is designed to provide a general overview of Blanding City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Blanding City Manager, 50 West 100 South, Blanding, Utah, 84511.

**Blanding City
General Fund Revenues
For The Fiscal Year Ended June 30, 2005**

Property Tax	227,067
Other Taxes	419,881
Charges for Services	460,892
Operating Grants	119,794
Capital Grants	1,331,751
Interest	<u>54,498</u>
Total	<u><u>2,613,883</u></u>

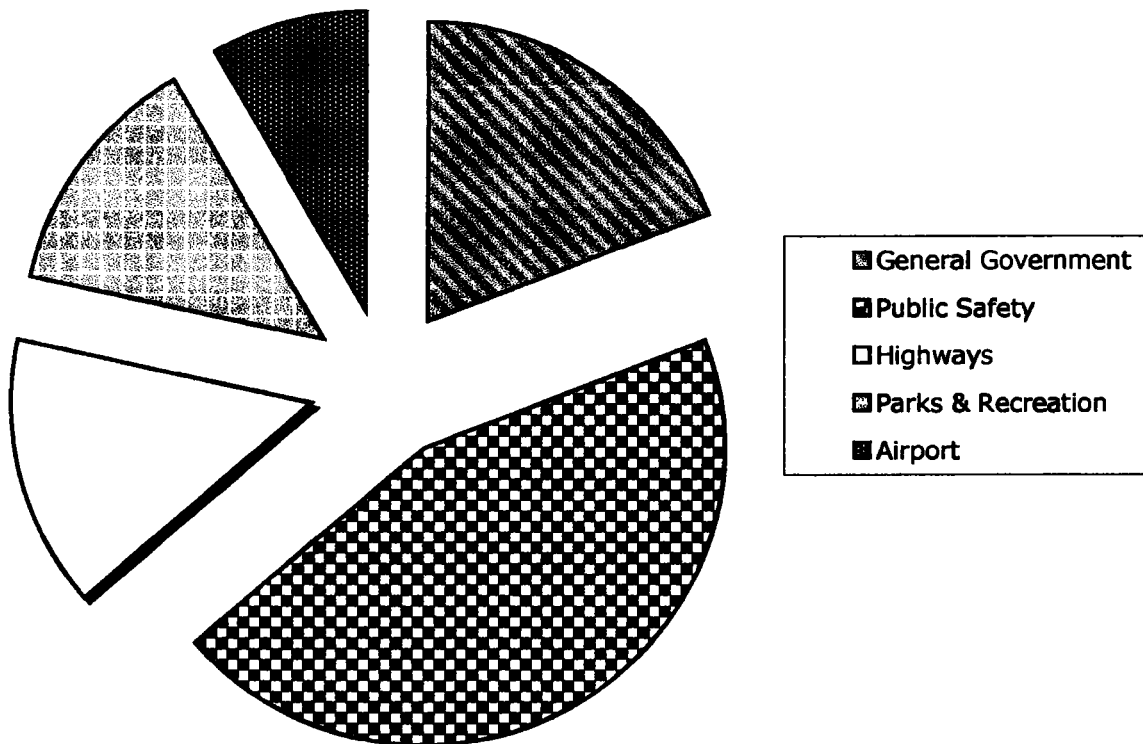
General Fund Revenues



**Blanding City
General Fund Expenditures
For The Fiscal Year Ended June 30, 2005**

General Government	288,002
Public Safety	664,339
Highways	221,257
Parks & Recreation	200,347
Airport	<u>123,906</u>
Total	<u><u>1,497,851</u></u>

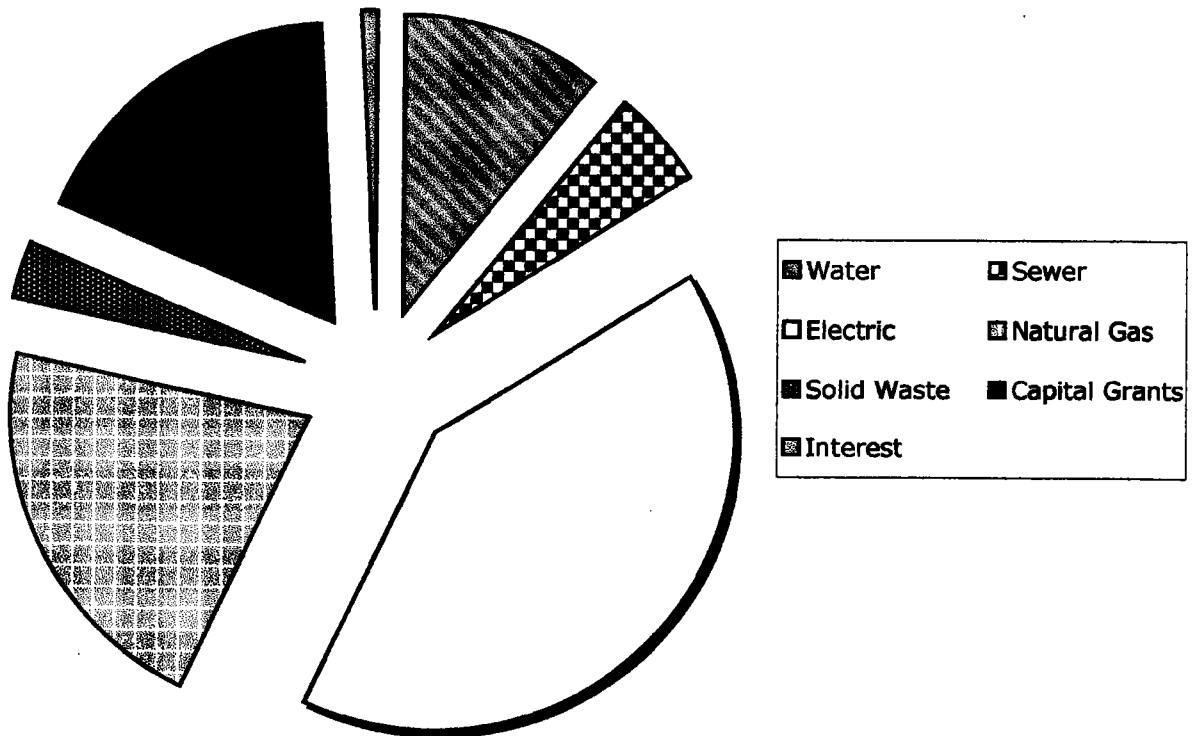
General Fund Expenditures



**Blanding City
Proprietary Fund Revenues
For The Fiscal Year Ended June 30, 2005**

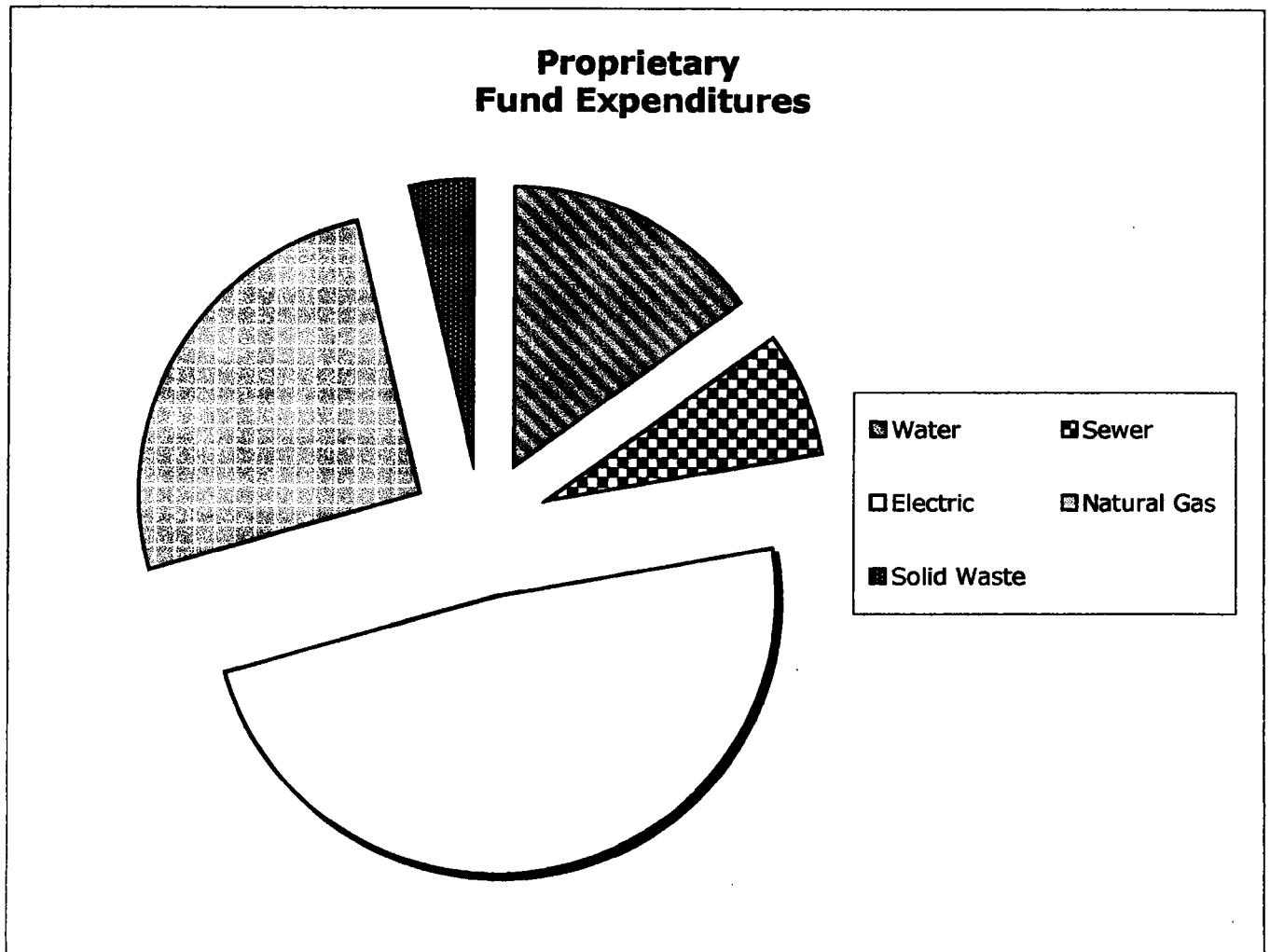
Water	471,137
Sewer	240,120
Electric	1,782,029
Natural Gas	943,944
Solid Waste	133,055
Capital Grants	787,066
Interest	<u>31,511</u>
Total	<u><u>4,388,862</u></u>

**Proprietary
Fund Revenues**



**Blanding City
Proprietary Fund Expenditures
For The Fiscal Year Ended June 30, 2005**

Water	515,836
Sewer	252,019
Electric	1,672,742
Natural Gas	892,201
Solid Waste	<u>126,830</u>
Total	<u><u>3,459,628</u></u>



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is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

BLANDING CITY
STATEMENT OF NET ASSETS
June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	586,885	1,977,715	2,564,600
Accounts Receivable (Net)	16,962	270,185	287,147
Due From Other Government Units	247,868	-	247,868
Notes Receivable - Due Within One Year	-	2,500	2,500
Total Current Assets	851,715	2,250,400	3,102,115
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	1,150,000	332,868	1,482,868
Notes Receivable - More Than One Year	-	30,000	30,000
Bond Issuance Costs (Net)	-	20,094	20,094
Capital Assets (Net of Accumulated Depreciation):			
Land	806,779	536,049	1,342,828
Water Rights	-	1,657,305	1,657,305
Buildings	323,072	1,479,470	1,802,542
Improvements Other Than Buildings	3,914,326	-	3,914,326
Utility Systems	-	15,149,242	15,149,242
Furniture and Fixtures	-	5,896	5,896
Equipment	384,471	152,074	536,545
Autos and Trucks	-	67,048	67,048
Infrastructure	2,665,274	-	2,665,274
Total Noncurrent Assets	9,243,922	19,430,046	28,673,968
TOTAL ASSETS	10,095,637	21,680,446	31,776,083
LIABILITIES			
Current Liabilities:			
Accounts Payable	383,010	98,011	481,021
Accrued Liabilities	20,174	-	20,174
Deposits Payable	-	75,610	75,610
Bond Interest Payable	-	35,775	35,775
Loans Payable - Due Within One Year	-	5,142	5,142
General Obligation Bonds - Due Within One Year	-	80,000	80,000
Revenue Bonds Payable - Due Within One Year	-	227,682	227,682
Total Current Liabilities	403,184	522,220	925,404
Noncurrent Liabilities:			
Loans Payable - More Than One Year	-	97,715	97,715
General Obligation Bonds - More Than One Year	-	964,000	964,000
Revenue Bonds Payable - More Than One Year	-	4,395,589	4,395,589
Compensated Absences	72,305	64,518	136,823
Total Noncurrent Liabilities	72,305	5,521,822	5,594,127
TOTAL LIABILITIES	475,489	6,044,042	6,519,531
NET ASSETS			
Investment in Capital Assets, Net of Debt	8,093,922	13,250,071	21,343,993
Restricted For:			
Bond Retirement	-	332,868	332,868
Road Trust Account	1,150,000	-	1,150,000
Unrestricted	376,226	2,053,465	2,429,691
TOTAL NET ASSETS	9,620,148	15,636,404	25,256,552
TOTAL LIABILITIES AND NET ASSETS	10,095,637	21,680,446	31,776,083

The notes to the financial statements are an integral part of this statement.

BLANDING CITY
STATEMENT OF ACTIVITIES
For The Fiscal Year Ended June 30, 2005

Function/Programs Primary Government:	Net (Expense) Revenues and Changes in Net Assets				
	Primary Government				Total
	Expenses	Charges for Services	Program Revenues Operating Grants/ Contributions	Capital Grants/ Contributions	
Governmental Activities:					
General Government	288,002	309,203	-	60,500	81,701
Public Safety	664,339	-	3,794	53,928	(606,617)
Highways and Public Improvements	221,257	-	116,000	330,000	224,743
Park and Recreation	200,347	61,160	-	507,312	368,125
Airport	123,906	90,529	-	380,011	346,634
Total Governmental Activities	1,497,851	460,892	119,794	1,331,751	414,586
Business-Type Activities:					
Water	515,836	468,737	-	569,913	522,814
Sewer	252,019	236,120	-	217,153	201,254
Electric	1,672,742	1,782,029	-	-	109,287
Natural Gas	892,201	943,944	-	-	51,743
Solid Waste	126,830	133,055	-	-	6,225
Total Business-Type Activities	3,459,628	3,563,885	-	787,066	891,323
Total Primary Government	4,957,479	4,024,777	119,794	2,118,817	1,305,909
General Revenues:					
Property Taxes					190,825
Fee-In-Lieu of Property Taxes					36,242
Sales Taxes					382,528
Room Tax					16,185
Franchise Taxes					21,168
Impact Fees					6,400
Unrestricted Investment Earnings					86,009
Total General Revenues and Transfers					739,357
Change in Net Assets					
Net Assets - Beginning					2,045,266
Net Assets - Ending					23,211,286
					25,256,552

The notes to the financial statements are an integral part of this statement.

**BLANDING CITY
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	1,736,885
Accounts Receivable (Net)	16,962
Due From Other Government Units	<u>247,868</u>
TOTAL ASSETS	<u><u>2,001,715</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts Payable	383,010
Accrued Liabilities	<u>20,174</u>
Total Liabilities	<u>403,184</u>
Fund Balances:	
Reserved For:	
Road Trust Fund	1,150,000
Unreserved, Reported In:	
General Fund	<u>448,531</u>
Total Fund Balance	<u>1,598,531</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>2,001,715</u></u>

The notes to the financial statements are an integral part of this statement.

BLANDING CITY
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2005

Total Fund Balances - Governmental Fund Types	1,598,531
-----------------------------------------------	-----------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	806,779	
Buildings	323,072	
Improvements	3,914,326	
Equipment	384,471	
Infrastructure	<u>2,665,274</u>	
 Total		 8,093,922

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences	<u>(72,305)</u>
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Net Assets of Government Activities	<u><u>9,620,148</u></u>
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BLANDING CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>
Revenues:	
Taxes	646,948
Licenses and Permits	18,860
Intergovernmental Revenue	1,451,545
Charges for Services	228,529
Fines and Forfeitures	79,904
Interest	54,498
Miscellaneous Revenues	<u>133,599</u>
Total Revenues	<u>2,613,883</u>
Expenditures:	
Current:	
General Government	271,530
Public Safety	581,994
Highways and Public Improvements	108,054
Parks and Recreation	167,110
Airport	4,726
Capital Outlay	<u>1,327,462</u>
Total Expenditures	<u>2,460,876</u>
Net Change In Fund Balance	153,007
Fund Balance - Beginning	<u>1,445,524</u>
Fund Balance - Ending	<u><u>1,598,531</u></u>

The notes to the financial statements are an integral part of this statement.

BLANDING CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds	153,007
---------------------------------------------------------	---------

Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current period:

Capital Outlays	1,327,462	
Depreciation Expense	<u>(360,892)</u>	
Total		966,570

Some expenses reported in the statement of activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds:

Compensated Absences	<u>(3,545)</u>
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Changes In Net Assets of Governmental Activities	<u><u>1,116,032</u></u>
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**BLANDING CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2005

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	749,943	346,332	784,853	-	96,587	1,977,715
Accounts Receivable	56,938	17,341	135,600	49,352	10,954	270,185
Note Receivable	2,500	-	-	-	-	2,500
Due from Other Funds	-	-	797,264	-	-	797,264
Total Current Assets	<u>809,381</u>	<u>363,673</u>	<u>1,717,717</u>	<u>49,352</u>	<u>107,541</u>	<u>3,047,664</u>
Noncurrent Assets:						
Cash and Cash Equivalents - Restricted:						
Bond Reserves	95,830	-	-	237,038	-	332,868
Bond Issuance Cost (Net of Amort.)	-	-	-	20,094	-	20,094
Notes Receivable	30,000	-	-	-	-	30,000
Capital Assets: (Net of Accum. Depr.)						
Land	251,694	79,722	204,633	-	-	536,049
Water Rights	1,657,305	-	-	-	-	1,657,305
Buildings	36,519	48,886	61,860	-	1,332,405	1,479,470
Improvements Other Than Buildings	8,603,222	1,711,282	501,891	4,332,847	-	15,149,242
Furniture and Fixtures	421	314	5,161	-	-	5,896
Machinery and Equipment	15,288	127,604	7,222	1,960	-	152,074
Automobiles and Trucks	4,585	-	62,463	-	-	67,048
Total Noncurrent Assets	<u>10,694,864</u>	<u>1,967,608</u>	<u>843,230</u>	<u>4,591,939</u>	<u>1,332,405</u>	<u>19,430,046</u>
TOTAL ASSETS	<u>11,504,245</u>	<u>2,331,281</u>	<u>2,560,947</u>	<u>4,641,291</u>	<u>1,439,946</u>	<u>22,477,710</u>
LIABILITIES:						
Current Liabilities:						
Accounts Payable	98,011	-	-	-	-	98,011
Deposits Payable	-	-	75,610	-	-	75,610
Due To Other Funds	-	-	-	797,264	-	797,264
Accrued Interest Payable	16,134	-	-	19,641	-	35,775
Note Payable - Due Within One Year	5,142	-	-	-	-	5,142
Bonds Payable - Due Within One Year	101,015	-	-	206,667	-	307,682
Total Current Liabilities	<u>220,302</u>	<u>-</u>	<u>75,610</u>	<u>1,023,572</u>	<u>-</u>	<u>1,319,484</u>
Noncurrent Liabilities:						
Note Payable - More Than One Year	97,715	-	-	-	-	97,715
Bonds Payable - More Than One Year	1,827,728	-	-	3,531,861	-	5,359,589
Compensated Absences	27,019	15,689	13,059	8,751	-	64,518
Total Noncurrent Liabilities	<u>1,952,462</u>	<u>15,689</u>	<u>13,059</u>	<u>3,540,612</u>	<u>-</u>	<u>5,521,822</u>
TOTAL LIABILITIES	<u>2,172,764</u>	<u>15,689</u>	<u>88,669</u>	<u>4,564,184</u>	<u>-</u>	<u>6,841,306</u>
NET ASSETS:						
Capital Assets, Net of Related Debt	8,521,300	1,967,608	843,230	585,528	1,332,405	13,250,071
Restricted for Bond Reserves	95,830	-	-	237,038	-	332,868
Unrestricted	714,351	347,984	1,629,048	(745,459)	107,541	2,053,465
TOTAL NET ASSETS	<u>9,331,481</u>	<u>2,315,592</u>	<u>2,472,278</u>	<u>77,107</u>	<u>1,439,946</u>	<u>15,636,404</u>
TOTAL LIABILITIES AND NET ASSETS	<u>11,504,245</u>	<u>2,331,281</u>	<u>2,560,947</u>	<u>4,641,291</u>	<u>1,439,946</u>	<u>22,477,710</u>

The notes to the financial statements are an integral part of this statement.

BLANDING CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES

June 30, 2005

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Operating Revenues:						
Charges for Sales and Services:						
Water	459,296	-	-	-	-	459,296
Sewer	-	223,224	-	-	-	223,224
Electric	-	-	1,764,921	-	-	1,764,921
Natural Gas	-	-	-	930,168	-	930,168
Sanitation	-	-	-	-	133,055	133,055
Connection Fees	9,300	7,875	6,315	13,776	-	37,266
Other	141	5,021	10,793	-	-	15,955
Total Operating Revenues	<u>468,737</u>	<u>236,120</u>	<u>1,782,029</u>	<u>943,944</u>	<u>133,055</u>	<u>3,563,885</u>
Operating Expenses:						
Salaries	117,651	93,191	93,779	67,040	4,494	376,155
Fringe Benefits	57,667	44,787	40,228	31,870	462	175,014
Power and Gas Purchases	-	-	1,080,443	450,984	-	1,531,427
Materials and Supplies	12,401	48,514	201,875	13,416	308	276,514
Administrative Fees	21,540	6,900	79,500	24,600	5,460	138,000
Utilities	10,247	1,321	9,129	1,032	66	21,795
Insurance	4,000	3,500	34,826	8,000	-	50,326
Professional and Technical	26,361	1,806	35,310	3,870	115,357	182,704
Other	25,557	1,524	13,553	4,311	93	45,038
Depreciation	179,818	50,476	84,099	109,138	590	424,121
Total Operating Expenses	<u>455,242</u>	<u>252,019</u>	<u>1,672,742</u>	<u>714,261</u>	<u>126,830</u>	<u>3,221,094</u>
Operating Income	<u>13,495</u>	<u>(15,899)</u>	<u>109,287</u>	<u>229,683</u>	<u>6,225</u>	<u>342,791</u>
Nonoperating Revenues (Expenses):						
Interest Expense	(60,594)	-	-	(177,940)	-	(238,534)
Impact Fees	2,400	4,000	-	-	-	6,400
Interest Earned	10,193	3,756	9,032	8,530	-	31,511
Federal Grants	569,913	217,153	-	-	-	787,066
Total Nonoperating Revenues (Expenses)	<u>521,912</u>	<u>224,909</u>	<u>9,032</u>	<u>(169,410)</u>	<u>-</u>	<u>586,443</u>
Change in Net Assets	535,407	209,010	118,319	60,273	6,225	929,234
Total Net Assets - Beginning	<u>8,796,074</u>	<u>2,106,582</u>	<u>2,353,959</u>	<u>16,834</u>	<u>1,433,721</u>	<u>14,707,170</u>
Total Net Assets - Ending	<u>9,331,481</u>	<u>2,315,592</u>	<u>2,472,278</u>	<u>77,107</u>	<u>1,439,946</u>	<u>15,636,404</u>

The notes to the financial statements are an integral part of this statement.

**BLANDING CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

June 30, 2005

	Water Fund	Sewer Fund	Electric Fund	Natural Gas Fund	Nonmajor Funds	Total
Cash Flows From Operating Activities:						
Receipts From Customers	474,856	238,457	1,774,718	932,187	132,788	3,553,006
Payments to Suppliers	(71,400)	(108,118)	(1,485,133)	(537,624)	(121,746)	(2,324,021)
Payments to Employees	(117,651)	(93,191)	(93,779)	(67,040)	(4,494)	(376,155)
Net Cash Provided by Operating Activities	285,805	37,148	195,806	327,523	6,548	852,830
Cash Flows from Noncapital Financing Activities:						
Due to (From) Other Funds	-	-	(37,306)	37,306	-	-
Decrease in Other Assets	-	-	-	1,356	-	1,356
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	(37,306)	38,662	-	1,356
Cash Flows From Capital and Related Financing Activities:						
Capital Grants	587,213	268,656	-	-	-	855,869
Impact Fees	2,400	4,000	-	-	-	6,400
Payment on Note Receivable	2,500	-	-	-	-	2,500
Fixed Asset Additions	(619,656)	(347,700)	(37,134)	-	-	(1,004,490)
Interest Payment on Long-Term Debt	(54,504)	-	-	(177,940)	-	(232,444)
Principal Payment on Long-Term Debt	(103,182)	-	-	(196,775)	-	(299,957)
Net Cash Provided (Used) by Capital and Related Financing Activities	(185,229)	(75,044)	(37,134)	(374,715)	-	(672,122)
Cash Flows from Investing Activities:						
Interest Earned on Investments	10,193	3,756	9,033	8,530	-	31,512
Increase (Decrease) Cash and Cash Equivalents	110,769	(34,140)	130,399	-	6,548	213,576
Cash and Cash Equivalents - Beginning	735,004	380,472	654,454	237,038	90,039	2,097,007
Cash and Cash Equivalents - Ending	845,773	346,332	784,853	237,038	96,587	2,310,583
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:						
Operating Income	13,495	(15,899)	109,287	229,683	6,225	342,791
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities:						
Depreciation	179,818	50,476	84,099	109,138	590	424,121
Increase (Decrease) in Operating Assets:						
Accounts Receivable	6,119	2,337	(7,311)	(11,757)	(267)	(10,879)
Accrued Liabilities	85,599	-	8,970	-	-	94,569
Compensated Absences	774	234	761	459	-	2,228
Total Adjustments	272,310	53,047	86,519	97,840	323	510,039
Net Cash Provided (Used) by Operating Activities	285,805	37,148	195,806	327,523	6,548	852,830

The notes to the financial statements are an integral part of this statement.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Blanding City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

The following is a summary of the more significant policies:

A. Reporting Entity

Blanding City is a municipal corporation in San Juan County, Utah. It is governed by an elected mayor and five member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Blanding City, the reporting entity. The City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Blanding City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The utility funds accounts for the activities of the City water, sewer, electric, natural gas and solid waste operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Water System	40 - 75 Years
Machinery and Equipment	10 - 15 Years
Buildings	40 - 57 Years
Vehicles	5 - 10 Years
Furniture and Fixtures	10 - 20 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting:

The governing body of the entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing in at least one issue of the newspaper of general circulation published within the County in which the County in which the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction. The tentative budget must be available to the public for inspection for a number of days, as provided by law, prior to the budget hearing:

1. On or before the first regularly scheduled meeting of the City Council in the month of May, the mayor prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the City Council makes final adjustments to the tentative budget.
4. On or before June 22, the City Council adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The City Council may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
7. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the City Council.
8. Proprietary Fund budgets may be increased without a public hearing by resolution of the City Council.
9. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The appropriated budget is prepared by fund, function and department. The governments department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

The Fiscal Procedures Act for Utah Towns require local municipalities to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and charges in fund balance - budget and actual identifies the departments and funds which have overexpended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Property Tax Calendar:

January 1	Lien Date - All property appraised based upon situs and status as of this date (real and personal).
March 1	Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice.
June 22	All taxing entities to adopt tentative budgets and proposed tax rates and report them to the county auditor.
July 22	County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices.
September 1	State Tax Commission approves tax rates.
November 1	County auditor is to deliver the equalized assessment roll to the county treasurer with affidavit.
November 1	County auditor to charge the county treasurer to account for all taxes levied.
November 1	County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings.
November 30	Taxes on real property become delinquent.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year end, the carrying amount of the City's deposits was \$58,674 and the bank balances were \$228,806. Of the bank balance, \$100,000 was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council. Cash on hand amounted to \$1,250.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

Statutes authorize the City to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standards and Poors Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase agreements, and the State Treasurer's Investment Pool. The City is also authorized to enter into reverse repurchase agreements.

The City's investments are categorized below to give an indication of the risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City in the City's name, and includes deposits collateralized by securities held by the City in the City's name. Category 2 includes uninsured and unregistered investments for which the investments are held by a broker or dealer in the City's name, and includes deposits collateralized by securities held by the pledging institution in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer but not in the City's name, and includes deposits not insured or collateralized. Blanding City's investments at year end are shown below:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value/ Carrying Amount</u>
Investments	<u>-</u>	<u>-</u>	<u>-</u>	-
Other Items:				
State Treasurer's Investment Pool				<u>3,987,543</u>
Total				<u>3,987,543</u>

The Utah Public Treasurer's Investment Fund is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds.

Cash is reflected in the financial statements as follows:

Governmental	1,736,885
Proprietary	<u>2,310,582</u>
Total	<u>4,047,467</u>

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	<u>746,779</u>	<u>60,000</u>	<u>-</u>	<u>806,779</u>
 Total Capital Assets Not Being Depreciated	<u>746,779</u>	<u>60,000</u>	<u>-</u>	<u>806,779</u>
 Capital Assets Being Depreciated:				
Buildings	560,144	-	-	560,144
Improvements	4,574,815	893,362	-	5,468,177
Equipment	761,955	165,600	-	927,555
Infrastructure	<u>3,424,393</u>	<u>208,500</u>	<u>-</u>	<u>3,632,893</u>
 Total Capital Assets Being Depreciated	<u>9,321,307</u>	<u>1,267,462</u>	<u>-</u>	<u>10,588,769</u>
 Less Accumulated Depreciation For:				
Buildings	218,977	18,095	-	237,072
Improvements	1,414,662	139,189	-	1,553,851
Equipment	444,952	98,132	-	543,084
Infrastructure	<u>862,143</u>	<u>105,476</u>	<u>-</u>	<u>967,619</u>
 Total Accumulated Depreciation	<u>2,940,734</u>	<u>360,892</u>	<u>-</u>	<u>3,301,626</u>
 Total Capital Assets Being Depreciated (Net)	<u>6,380,573</u>	<u>906,570</u>	<u>-</u>	<u>7,287,143</u>
 Governmental Activities Capital Assets, Net	<u>7,127,352</u>	<u>966,570</u>	<u>-</u>	<u>8,093,922</u>

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	536,049	-	-	536,049
Water Stock	1,657,305	-	-	1,657,305
Work In Progress	<u>4,073,332</u>	<u>568,154</u>	<u>4,641,486</u>	<u>-</u>
 Total Capital Assets Not Being Depreciated	<u>6,266,686</u>	<u>568,154</u>	<u>4,641,486</u>	<u>2,193,354</u>
 Capital Assets Being Depreciated:				
Buildings	1,777,115	-	-	1,777,115
Utility Systems	16,553,181	5,020,669	-	21,573,850
Equipment	<u>755,119</u>	<u>174,132</u>	<u>-</u>	<u>929,251</u>
 Total Capital Assets Being Depreciated	<u>19,085,415</u>	<u>5,194,801</u>	<u>-</u>	<u>24,280,216</u>
 Less Accumulated Depreciation For:				
Buildings	315,262	7,173	-	322,435
Utility Systems	6,036,704	363,113	-	6,399,817
Equipment	<u>650,397</u>	<u>53,836</u>	<u>-</u>	<u>704,233</u>
 Total Accumulated Depreciation	<u>7,002,363</u>	<u>424,122</u>	<u>-</u>	<u>7,426,485</u>
 Total Capital Assets Being Depreciated (Net)	<u>12,083,052</u>	<u>4,770,679</u>	<u>-</u>	<u>16,853,731</u>
 Business Type Activities Capital Assets, Net	<u>18,349,738</u>	<u>5,338,833</u>	<u>4,641,486</u>	<u>19,047,085</u>
 Total Assets - Government Wide	<u>25,477,090</u>	<u>6,305,403</u>	<u>4,641,486</u>	<u>27,141,007</u>

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	14,700	-	14,700
Public Safety	80,572	-	80,572
Public Health	-	424,122	424,122
Highways and Public Improvements	113,203	-	113,203
Parks and Recreation	33,237	-	33,237
Airport	119,180	-	119,180
Total Depreciation Expense	<u>360,892</u>	<u>424,122</u>	<u>785,014</u>

NOTE 4 - NATURAL GAS SYSTEM

The number of properties connected to the natural gas system at June 30, 2005, was 755. The number of unconnected homes within the City limits was 217 and the number of applications for natural gas service on hand was 0.

The rate charged for natural gas service for the year ending June 30, 2005, was 93.21 cents until December when it changed to \$1.0183 per 1,000 cubic feet for residential and commercial customers using an 8 ounce meter.

NOTE 5 - LONG TERM DEBT

Utility Systems:

Water System:

Water Revenue Bonds constitute special obligations of the City, solely secured by a lien on and pledge of the net revenues of the water system. The revenue bonds are collateralized by the revenue of the water system and various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions which require the City to maintain pledged revenues, as defined in the ordinances, for each year of at least 1.25 times the average annual debt service requirements. For fiscal year 2005 the "pledged revenues" were 1.48 times the average annual debt service. Therefore, the City was in compliance with this covenant. The ordinances also contain provisions which, along with other items, restrict the issuance of additional revenue bonds unless the sinking reserve funds contain the required amounts and the pledged revenues are equal or greater than 1.25 times the average annual debt service requirements after giving effect to the issuance of the proposed additional bonds.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 5 - LONG TERM DEBT (CONTINUED)

1983 San Juan Water Conservancy District Agreement:

During December of 1983, the City entered into an agreement with the San Juan Water Conservancy District for the perpetual right to 500 acre feet of District water per water year from the Recapture Dam Project. The terms of the agreement require payment of \$20,000 per year from the City with no interest. The balance at year end was \$400,000.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	20,000	-	20,000
2006-2007	20,000	-	20,000
2007-2008	20,000	-	20,000
2008-2009	20,000	-	20,000
2009-2010	20,000	-	20,000
2011-2015	100,000	-	100,000
2016-2020	100,000	-	100,000
2021-2025	100,000	-	100,000
Total	<u>400,000</u>	<u>-</u>	<u>400,000</u>

1997 Contract with San Juan Water Conservancy District:

During fiscal year 1997, the City entered into a long-term contract in the amount of \$144,000, in connection with the purchase of 300 acre feet of water from the San Juan County Conservancy District. The contract is non-interest bearing and is payable in 28 annual installments of \$5,143. The contract matures in 2017. The balance at year end was \$102,857.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	5,143	-	5,143
2006-2007	5,143	-	5,143
2007-2008	5,143	-	5,143
2008-2009	5,143	-	5,143
2009-2010	5,143	-	5,143
2011-2015	25,715	-	25,715
2016-2020	25,715	-	25,715
2021-2025	25,712	-	25,712
Total	<u>102,857</u>	<u>-</u>	<u>102,857</u>

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 5 - LONG TERM DEBT (CONTINUED)

1985 Community Impact Board Bonds:

During June of 1985, the City issued water revenue bonds in the amount of \$500,000 for the purpose of the construction of an earth fill dam and water transmission line. The bonds require yearly payments of \$30,696 with interest at 4.5%. The balance at year end was \$243,630.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	19,765	10,930	30,695
2006-2007	20,655	10,040	30,695
2007-2008	21,585	9,111	30,696
2008-2009	22,556	8,140	30,696
2009-2010	23,571	7,125	30,696
2011-2015	<u>135,498</u>	<u>18,725</u>	<u>154,223</u>
Total	<u>243,630</u>	<u>64,071</u>	<u>307,701</u>

1990 Community Impact Board Bonds:

During December of 1990, the City issued water revenue bonds in the amount of \$628,000 for the purpose of paying part of the cost of acquiring and constructing improvements, additions and extensions to the City's water system. The bonds require annual payments from \$37,530 to \$38,600 with interest of 3.5%. The balance at year end was \$343,000.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	26,000	11,970	37,970
2006-2007	27,000	11,060	38,060
2007-2008	28,000	10,115	38,115
2008-2009	29,000	9,135	38,135
2009-2010	30,000	8,120	38,120
2011-2015	165,000	24,150	189,150
2016-2020	<u>38,000</u>	<u>1,295</u>	<u>39,295</u>
Total	<u>343,000</u>	<u>75,845</u>	<u>418,845</u>

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 5 - LONG TERM DEBT (CONTINUED)

1995 Community Impact Board Bonds:

During January of 1995, the City issued Irrigation Water Revenue Bonds in the amount of \$50,000 for the purpose of construction improvements to the City's irrigation system. The bonds require annual payments of \$2,500 with no interest. The balance at year end was \$30,000.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	2,500	-	2,500
2006-2007	2,500	-	2,500
2007-2008	2,500	-	2,500
2008-2009	2,500	-	2,500
2009-2010	2,500	-	2,500
2011-2015	12,500	-	12,500
2016-2020	5,000	-	5,000
Total	<u>30,000</u>	<u>-</u>	<u>30,000</u>

1990 Department of Health Bonds:

During December of 1990, the City issued water revenue bonds in the amount of \$400,000 for the purpose of paying part of the cost of acquiring and constructing improvements, additions, and extensions to the City's water system. The bonds require annual payments from \$37,520 to \$38,600 with interest of 3.5%. The balance at year end was \$218,000.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	17,000	7,630	24,630
2006-2007	17,000	7,035	24,035
2007-2008	18,000	6,440	24,440
2008-2009	18,000	5,810	23,810
2009-2010	19,000	5,180	24,180
2011-2015	106,000	15,435	121,435
2016-2020	23,000	805	23,805
Total	<u>218,000</u>	<u>48,335</u>	<u>266,335</u>

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 5 - LONG TERM DEBT (CONTINUED)
1999 Drinking Water Board Bonds:

During July of 1999, the City issued water revenue bonds in the amount of \$200,000 for the purpose of construction of a two (2) million gallon water tank and distribution lines. The bonds require yearly payments of \$10,000 for twenty (20) years with interest at the rate of .33%. The balance at year end was \$150,000.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	10,000	495	10,495
2006-2007	10,000	462	10,462
2007-2008	10,000	429	10,429
2008-2009	10,000	396	10,396
2009-2010	10,000	363	10,363
2011-2015	50,000	1,320	51,320
2016-2020	50,000	495	50,495
Total	<u>150,000</u>	<u>3,960</u>	<u>153,960</u>

2002 Rural Development Bonds:

During 2002, the City issued water revenue bonds in the amount of \$555,000 for the purpose of the reconstruction of the Blanding Fourth Raw Water Storage Reservoir. The bonds require annual payments of \$30,240 with interest at 4.5%. The balance at year end was \$544,113.

The following is a summary of debt service charges for the Rural Development loan:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	5,750	24,490	30,240
2006-2007	6,008	24,232	30,240
2007-2008	6,279	23,961	30,240
2008-2009	6,561	23,679	30,240
2009-2010	6,856	23,384	30,240
2011-2015	39,196	112,004	151,200
2016-2020	48,847	102,353	151,200
2021-2025	60,873	90,327	151,200
2026/2030	75,858	75,342	151,200
2031/2035	94,532	56,668	151,200
2036/2040	117,805	33,395	151,200
2041/2045	75,548	5,602	81,150
	<u>544,113</u>	<u>595,437</u>	<u>1,139,550</u>

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of total debt service charges for the water system:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	106,158	55,515	161,673
2006-2007	108,306	52,829	161,135
2007-2008	111,507	50,056	161,563
2008-2009	113,760	47,160	160,920
2009-2010	117,070	44,172	161,242
2011-2015	633,909	171,634	805,543
2016-2020	290,562	104,948	395,510
2021-2025	186,585	90,327	276,912
2026/2030	75,858	75,342	151,200
2031/2035	94,532	56,668	151,200
2036/2040	117,805	33,395	151,200
2041/2045	75,548	5,602	81,150
	<u>2,031,600</u>	<u>787,648</u>	<u>2,819,248</u>

Natural Gas System:

Natural Gas Revenue Bonds, Series 1994 and 1995:

During the year ending June 30, 1995, the City issued a \$3,390,000 revenue bond to cover costs incurred on the construction of a natural gas system. The bond, dated March 15, 1995, and maturing March 15, 2020, carries an annual interest rate of 5% and requires three hundred (300) monthly installments of \$19,382. The balance at year end was \$2,476,282.

The following is a summary of debt service charges for the Series 1994 Revenue Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	116,823	121,161	237,984
2006-2007	122,800	115,184	237,984
2007-2008	129,082	108,902	237,984
2008-2009	135,686	102,297	237,983
2009-2010	142,628	95,356	237,984
2011-2015	830,358	359,562	1,189,920
2016-2020	998,905	124,608	1,123,513
Total	<u>2,476,282</u>	<u>1,027,070</u>	<u>3,503,352</u>

**BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 10 - CLASS C ROADS

The following schedule outlines the transactions in the Class C Road account for the fiscal year ended June 30, 2005:

Balance - Beginning of Year	-
Receipts:	
Class C Road Allotment	116,000
Disbursements:	
Class C Road Expenditures	<u>(116,000)</u>
Balance - End of Year	<u><u>-</u></u>

NOTE 11 - IMPACT FEE ORDINANCE

On June 27, 2001, the Blanding City Council passed ordinance #2001-5 enacting impact fees for municipal water and sewer connections as required by the Utah Impact Fees Act.

Water impact fees for residential and commercial uses will be calculated based upon meter size and an equivalent residential unit (ERU) basis.

The following applies to residential and commercial water impact fees:

<u>Meter Size Inches</u>	<u>ERU Capacity</u>	<u>Impact Fee</u>
3/4	1	600
1	3.7	1,300
1 1/2	11	3,500
2	22.9	5,500

Impact fees for meter sizes different than those specified will be calculated by the City Engineer based on ERU Capacity.

Sewer impact fees will be calculated per ERU. Residential and commercial sewer impact fees will be calculated at \$250 per ERU.

The City is required to place these impact fees into a separate interest bearing account and may expend these funds only on capital improvements, retiring debt for the system or other expenditures as allowed by law. There was \$2,400 collected during the current fiscal year for water and \$4,000 collected for sewer. These funds were all expended for appropriate purposes during the year.

These funds must be expended within six years from receipt or the funds must be returned with interest to the payor.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Utah Local Governments Trust. The insurance coverages are written on a group purchase arrangement. All of the insurance coverage is brokered and written through various insurance companies. Utah Local Government Trust acts as the broker. The City's insurance policies in force at June 30, 2005, are as follows:

Type of Policy	Amount of Coverage	Policy No.	Total Name of Company	Expiration Date
General Liability	2,000,000	TGL-269	Utah Local Government Trust	06/30/05
Automobile Liability	2,000,000	TGL-269	Utah Local Government Trust	06/30/05
Uninsured Motorist	65,000	TGL-269	Utah Local Government Trust	06/30/05
Airport	750,000	GHK0026669-90	Utah Local Government Trust	11/02/05
Property	2,000,000	GP06300613	Utah Local Government Trust	06/30/05
Position Schedule Bonds:				
Mayor	140,000	58414629	Western Surety	11/19/05
Recorder	140,000	58414629	Western Surety	11/19/05
City Administrator/Recorder	258,000	58447576	Western Surety	05/13/07
Treasurer	258,000	58447576	Western Surety	05/13/07
Clerk	29,000	58447576	Western Surety	05/13/07
Notary	5,000	N52995777	Western Surety	02/15/08
Notary	5,000		Farmers Insurance	06/15/07
Workers Compensation	Varies	TWC-269	Utah Local Government Trust	Open

The City has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three fiscal years.

BLANDING CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 13 - STATE RETIREMENT PLANS

Local Governmental - Cost Sharing:

Plan Description:

Blanding City contributes to the Local Governmental Noncontributory Retirement System, the Public Safety Other Division A Contributory Retirement System and the Public Safety Other Division A Noncontributory Retirement System for employers with Social Security coverage all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the system to which they belong; 11.29% to the Public Safety Other Division A Contributory Retirement System. Blanding City is required to contribute a percent of covered salary to the respective systems; 11.09% to the Noncontributory, 7.70% to the Public Safety Other Division A Contributory Systems and 19.08% to the Public Safety Other Division A Noncontributory Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Blanding City contributions to the various systems for the years ending June 30, 2005, 2004 and 2003 respectively were; for the Noncontributory System, \$53,140.11, \$46,281.98 and \$40,466.78, for the Public Safety Other Division A Contributory System, \$18,632.65, \$16,985.10 and \$17,685.68 and for the Public Safety Other Division A Noncontributory System, \$9,610.44, \$7,790.28 and \$3,851.47 respectively. The contributions were equal to the required contributions for each year.

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**BLANDING CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2004	<u>1,445,524</u>	<u>1,445,524</u>	<u>1,445,524</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
General Property Taxes	225,000	225,000	190,825	(34,175)
General Sales and Use Taxes	395,000	395,000	382,528	(12,472)
Fee-In-Lieu	38,000	38,000	36,242	(1,758)
Room Tax	18,200	18,200	16,185	(2,015)
Franchise Taxes	<u>12,000</u>	<u>12,000</u>	<u>21,168</u>	<u>9,168</u>
Total Taxes	<u>688,200</u>	<u>688,200</u>	<u>646,948</u>	<u>(41,252)</u>
Licenses and Permits	<u>18,585</u>	<u>18,585</u>	<u>18,860</u>	<u>275</u>
Intergovernmental Revenue:				
Class C Road	160,000	160,000	116,000	(44,000)
State Liquor Allotment	3,000	3,000	3,794	794
Federal Grants	375,358	375,358	329,543	(45,815)
State Grants	881,443	881,443	646,159	(235,284)
Contributions from County	243,700	243,700	290,349	46,649
Other	<u>15,000</u>	<u>15,000</u>	<u>65,700</u>	<u>50,700</u>
Total Intergovernmental Revenue	<u>1,678,501</u>	<u>1,678,501</u>	<u>1,451,545</u>	<u>(226,956)</u>
Charges for Services:				
Airport	25,000	25,000	90,529	65,529
Administrative Fees	<u>138,000</u>	<u>138,000</u>	<u>138,000</u>	<u>-</u>
Total Charges for Services	<u>163,000</u>	<u>163,000</u>	<u>228,529</u>	<u>65,529</u>
Fines and Forfeitures	<u>90,000</u>	<u>90,000</u>	<u>79,904</u>	<u>(10,096)</u>
Miscellaneous:				
Interest	40,600	40,600	54,498	13,898
Recreation Revenue	54,100	54,100	61,160	7,060
Miscellaneous	102,100	102,100	72,439	(29,661)
Use of Fund Balance	<u>19,500</u>	<u>19,500</u>	<u>-</u>	<u>(19,500)</u>
Total Miscellaneous Revenue	<u>216,300</u>	<u>216,300</u>	<u>188,097</u>	<u>(28,203)</u>
Amounts Available for Appropriation	<u>4,300,110</u>	<u>4,300,110</u>	<u>4,059,407</u>	<u>(240,703)</u>

**BLANDING CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows):				
General Government:				
Legislative	26,050	31,050	30,832	218
Administration	205,785	200,785	169,511	31,274
City Engineer	36,783	36,783	35,361	1,422
Visitors Center	59,871	59,871	51,135	8,736
Planning and Zoning	45,570	45,570	44,691	879
Total General Government	<u>374,059</u>	<u>374,059</u>	<u>331,530</u>	<u>42,529</u>
Public Safety:				
J. P. court	32,649	32,649	32,476	173
City Attorney	17,350	17,350	15,273	2,077
Police	481,348	481,348	448,318	33,030
Fire	121,296	121,296	92,927	28,369
Total Public Safety	<u>652,643</u>	<u>652,643</u>	<u>588,994</u>	<u>63,649</u>
Highway and Streets:				
Construction and Maintenance	297,473	297,473	266,612	30,861
Class C Roads	326,700	326,700	208,542	118,158
Total Highways and Street	<u>624,173</u>	<u>624,173</u>	<u>475,154</u>	<u>149,019</u>
Culture and Recreation:				
Parks	551,291	551,291	551,140	151
Miscellaneous:				
Airport	652,420	652,420	514,058	138,362
Total Charges to Appropriations	<u>2,854,586</u>	<u>2,854,586</u>	<u>2,460,876</u>	<u>393,710</u>
Budgetary Fund Balance - June 30, 2005	<u>1,445,524</u>	<u>1,445,524</u>	<u>1,598,531</u>	<u>153,007</u>

BLANDING CITY
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>
Sources/Inflows and Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	4,059,407
Differences - Budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>(1,445,524)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>2,613,883</u></u>
Uses/Outflows of Resources:	
Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	2,460,876
Differences - Budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting pruposes.	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>2,460,876</u></u>

**COMBINING FINANCIAL
STATEMENTS AND SCHEDULES**

**BLANDING CITY
NONMAJOR PROPRIETARY FUNDS**

For The Fiscal Year Ended June 30, 2005

PROPRIETARY FUNDS

Proprietary Funds are used to account for revenues and expenses resulting from providing services and producing and delivering goods in connection with the funds principal ongoing operations.

Solid Waste Fund:

This fund is used to account for revenues and expenditures relating to solid waste management in the City

EDA Arts Fund:

This fund accounts for the City's participation in the EDA Arts building on the college campus.

**BLANDING CITY
COMBINING BALANCE SHEET
NONMAJOR PROPRIETARY FUNDS**

June 30, 2005

	<u>Solid Waste Fund</u>	<u>EDA Arts Fund</u>	<u>Total Nonmajor Funds</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents:			
Unrestricted	96,587	-	96,587
Accounts Receivable - Net	<u>10,954</u>	<u>-</u>	<u>10,954</u>
Total Current Assets	<u>107,541</u>	<u>-</u>	<u>107,541</u>
Noncurrent Assets:			
Improvements Other Than Buildings	<u>24,790</u>	<u>1,307,615</u>	<u>1,332,405</u>
TOTAL ASSETS	<u><u>132,331</u></u>	<u><u>1,307,615</u></u>	<u><u>1,439,946</u></u>
LIABILITIES AND NET ASSETS			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets:			
Invested In Capital Assets, Net of Related Debt	24,790	1,307,615	1,332,405
Unrestricted	<u>107,541</u>	<u>-</u>	<u>107,541</u>
Total Net Assets	<u>132,331</u>	<u>1,307,615</u>	<u>1,439,946</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>132,331</u></u>	<u><u>1,307,615</u></u>	<u><u>1,439,946</u></u>

BLANDING CITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NONMAJOR PROPRIETARY FUNDS

For The Year Ended June 30, 2005

	Solid Waste Fund	EDA Arts Fund	Total Nonmajor Funds
Operating Revenues:			
Charges for Services:			
Sanitation	133,055	-	133,055
Total Operating Revenues	<u>133,055</u>	<u>-</u>	<u>133,055</u>
Operating Expenses:			
Salaries	4,494		4,494
Fringe Benefits	462	-	462
Materials and Supplies	308	-	308
Administrative Fees	5,460	-	5,460
Utilities	66	-	66
Professional and Technical	115,357		115,357
Other	92	-	92
Depreciation	590	-	590
Total Operating Expenses	<u>126,829</u>	<u>-</u>	<u>126,829</u>
Change in Net Assets	6,226	-	6,226
Net Assets - Beginning	<u>126,105</u>	<u>1,307,615</u>	<u>1,433,720</u>
Net Assets - Ending	<u><u>132,331</u></u>	<u><u>1,307,615</u></u>	<u><u>1,439,946</u></u>

BLANDING CITY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS

For The Year Ended June 30, 2005

	Solid Waste Fund	EDA Arts Fund	Total Nonmajor Funds
Cash Flows From Operating Activities:			
Receipts From Customers	132,788	-	132,788
Payments to Supplies	(121,746)	-	(121,746)
Payments to Employees	(4,494)	-	(4,494)
Net Cash Provided by Operating Activities	<u>6,548</u>	<u>-</u>	<u>6,548</u>
Increase (Decrease) Cash and Cash Equivalents	6,548	-	6,548
Cash and Cash Equivalents - Beginning	<u>90,039</u>		<u>90,039</u>
Cash and Cash Equivalents - Ending	<u><u>96,587</u></u>	<u><u>-</u></u>	<u><u>96,587</u></u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:			
Operating Income	<u>6,226</u>	<u>-</u>	<u>6,226</u>
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities:			
Depreciation	590	-	590
Increase (Decrease) in Operating Assets:			
Accounts Receivable	<u>(268)</u>	<u>-</u>	<u>(268)</u>
Total Adjustments	<u>322</u>	<u>-</u>	<u>322</u>
Net Cash Provided (Used) by Operating Activities	<u><u>6,548</u></u>	<u><u>-</u></u>	<u><u>6,548</u></u>

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is used to assist in formatting, for easier reading)

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
Blanding City
Blanding, Utah 84511

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Blanding City as and for the year ended June 30, 2005, which collectively comprise Blanding City's basic financial statements and have issued our report thereon dated August 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Blanding City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Blanding City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Mayor and City Council
Blanding City
Page -2-

This report is intended solely for the information and use of the audit committee, management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 4, 2005
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and City Council
Blanding City
Blanding, Utah 84511

Compliance

We have audited the compliance of Blanding City with the types of compliance requirements described in the *U. S. Office of Management of and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Blanding City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Blanding City's management. Our responsibility is to express an opinion on Blanding City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Blanding City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Blanding City's compliance with those requirements.

In our opinion, Blanding City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.


Internal Control Over Compliance

The management of the Blanding City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Blanding City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Honorable Mayor and City Council
Blanding City
Page -2-

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 4, 2005
Richfield, Utah

BLANDING CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Blanding City.
2. No reportable conditions relating to the audit of the financial statements are reported in the Auditor's report on Internal Control and Compliance With Laws and Regulations.
3. No instances of noncompliance material to the financial statements of Blanding City were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award program are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for Blanding City expresses an unqualified opinion.
6. There were no findings relative to the major federal award program for Blanding City.
7. The programs tested as a major programs were: Department of Transportation; Federal Aviation Administration, Runway Lighting Rehabilitation and Airport Master Plan Update, CFDA 20.106, Federal Highway Administration, Highway Planning and Construction, CFDA 20.205 and Environmental Protection Agency; Surveys, Studies, Investigations, and Special Purpose Grants, CFDA 66.606.
8. The threshold for distinguishing Type A programs is of \$300,000 of federal awards expended.
9. Blanding City was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

**BLANDING CITY
SCHEDULE OF FEDERAL AWARDS EXPENDED**

For The Fiscal Year Ended June 30, 2005

<u>Federal Grantor/Pass through Grantor</u>	<u>State Pass-Through #</u>	<u>Federal Catalogue #</u>	<u>Disbursements/ Expenditures</u>
DIRECT ASSISTANCE			
Department of Agriculture:			
National Forest - Dependent Rural Communities	N/A	10.760	30,000
Water and Waste Disposal Systems For Rural Communities	N/A	10.760	341,279
Rural Business Enterprise Grants	N/A	10.769	<u>1,420</u>
Total Department of Agriculture			<u>372,699</u>
Environmental Protection Agency:			
Surveys, Studies, Investigations and Special Purpose Grants	N/A	66.066	<u>470,869</u>
Total Environmental Protection Agency			<u>470,869</u>
Department of Homeland Security:			
Assistance to Firefighters Grant	N/A	97.044	<u>29,821</u>
Total Department of Homeland Security			<u>29,821</u>
TOTAL DIRECT ASSISTANCE			<u>873,389</u>
INDIRECT ASSISTANCE			
Department of Housing and Urban Development:			
Passed Through Utah Division of Community and Economic Development:			
Community Development Block Grant	04-2009	14.228	121,012
Community Development Block Grant	04-2010	14.228	<u>60,500</u>
Total Department of Housing and Urban Development			<u>181,512</u>

(Continued)

**BLANDING CITY
SCHEDULE OF FEDERAL AWARDS EXPENDED**

For The Fiscal Year Ended June 30, 2005

<u>Federal Grantor/Pass through Grantor</u>	<u>State Pass-Through #</u>	<u>Federal Catalogue #</u>	<u>Disbursements/ Expenditures</u>
INDIRECT ASSISTANCE (CONTINUED)			
Department of the Interior:			
Passed Through Utah Division of Parks and Recreation:			
Land and Water Conservation Fund Blanding Centennial Park	49-00335-D	15.916	<u>51,489</u>
Total Department of Interior			<u>51,489</u>
Department of Transportation - Federal Highway Administration:			
Passed Through Utah Department of Transportation - Aeronautical Division			
Federal Aviation Administration Runway Lighting Rehabilitation and Airport Master Plan Update	03-49-0002-09	20.106	110,305
Federal Aviation Administration Runway Lighting Rehabilitation and Airport Master Plan Update	03-49-0002-10	20.106	150,000
Federal Aviation Administration Runway Lighting Rehabilitation and Airport Master Plan Update	03-49-0002-11	20.106	68,610
Passed Through Utah Department of Transportation:			
Highway Planning and Construction	49-00335-D	20.205	<u>139,871</u>
Total Department of Transportation			<u>468,786</u>
TOTAL INDIRECT ASSISTANCE			<u>701,787</u>
TOTAL FEDERAL AWARDS EXPENDED			<u><u>1,575,176</u></u>

**BLANDING CITY
SCHEDULE OF FEDERAL AWARDS EXPENDED**

For The Fiscal Year Ended June 30, 2005

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDED

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

General:

The accompanying Schedule of Federal Awards Expended presents the activity of all federal financial assistance programs of Blanding City. The reporting entity, Blanding City, is defined in Note 1 to Blanding City's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included on the Schedule of Federal Awards Expended.

Basis of Accounting:

The accompanying Schedule of Federal Awards Expended is presented using the modified accrual basis of accounting for assistance received by governmental fund types, which is described in Note 1 to Blanding City's basic financial statements.

Federal awards received and expended through proprietary funds are presented using the accrual basis of accounting which is described in Note 1 to Blanding City's basic financial statements.

**BLANDING CITY
SCHEDULE OF PRIOR AUDIT FINDINGS**

For The Fiscal Year Ended June 30, 2005

There were no prior audit findings.

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

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Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council
Blanding City
Blanding, Utah 84511

We have audited the financial statements of Blanding City, for the fiscal year ended June 30, 2005, and have issued our report thereon dated August 4, 2005. As part of our audit, we have audited Blanding City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

- C Road Funds (Department of Transportation)
- Liquor Law Enforcement (State Tax Commission)
- CIB Grant (Department of Community and Economic Development)
- Park Grant (State Parks and Recreation)
- Airport Project (Department of Transportation)
- Fire Department Grant (Department of Public Safety)

The City also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Blanding City's financial statements.)

- Sidewalk Safety (Department of Transportation)
- Visitor Center (Department of Transportation)
- Transportation Grant (Department of Transportation)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

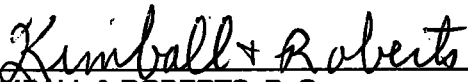
- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax
- Other Compliance Requirements

The management of Blanding City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Blanding City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2005.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 4, 2005
Richfield, Utah